

# Operations

Analyst: Hancock

## Historical Summary

| <b>OPERATING BUDGET</b>         | <b>FY 2006<br/>Total App</b> | <b>FY 2006<br/>Actual</b> | <b>FY 2007<br/>Approp</b> | <b>FY 2008<br/>Request</b> | <b>FY 2008<br/>Gov Rec</b> |
|---------------------------------|------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| <b>BY FUND CATEGORY</b>         |                              |                           |                           |                            |                            |
| General                         | 258,714,200                  | 258,714,200               | 504,096,100               | 535,836,500                | 519,530,700                |
| Dedicated                       | 27,082,800                   | 27,082,800                | 28,643,900                | 31,995,000                 | 31,995,000                 |
| Federal                         | 5,550,800                    | 5,550,800                 | 5,887,200                 | 7,232,800                  | 7,232,800                  |
| <b>Total:</b>                   | <b>291,347,800</b>           | <b>291,347,800</b>        | <b>538,627,200</b>        | <b>575,064,300</b>         | <b>558,758,500</b>         |
| Percent Change:                 |                              | 0.0%                      | 84.9%                     | 6.8%                       | 3.7%                       |
| <b>BY OBJECT OF EXPENDITURE</b> |                              |                           |                           |                            |                            |
| Lump Sum                        | 291,347,800                  | 291,347,800               | 538,627,200               | 575,064,300                | 558,758,500                |

## Division Description

Provide state and federal funding in support of the operations of Idaho's public charter schools and 114 school districts, grades K-12.

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## Comparative Summary

| Decision Unit                         | Agency Request |                    |                    | Governor's Rec |                    |                    |
|---------------------------------------|----------------|--------------------|--------------------|----------------|--------------------|--------------------|
|                                       | FTP            | General            | Total              | FTP            | General            | Total              |
| <b>FY 2007 Original Appropriation</b> | <b>0.00</b>    | <b>504,096,100</b> | <b>538,627,200</b> | <b>0.00</b>    | <b>504,096,100</b> | <b>538,627,200</b> |
| 1. Ag Replacement Funds               | 0.00           | 3,892,600          | 3,892,600          | 0.00           | 0                  | 0                  |
| <b>FY 2007 Total Appropriation</b>    | <b>0.00</b>    | <b>507,988,700</b> | <b>542,519,800</b> | <b>0.00</b>    | <b>504,096,100</b> | <b>538,627,200</b> |
| Removal of One-Time Expenditures      | 0.00           | (3,892,600)        | (3,892,600)        | 0.00           | 0                  | 0                  |
| Base Adjustments                      | 0.00           | 3,200              | 3,200              | 0.00           | 3,200              | 3,200              |
| <b>FY 2008 Base</b>                   | <b>0.00</b>    | <b>504,099,300</b> | <b>538,630,400</b> | <b>0.00</b>    | <b>504,099,300</b> | <b>538,630,400</b> |
| Benefit Costs                         | 0.00           | 0                  | 0                  | 0.00           | 0                  | 0                  |
| Inflationary Adjustments              | 0.00           | 3,498,900          | 3,498,900          | 0.00           | 0                  | 0                  |
| Public School Salary Increase         | 0.00           | 3,496,600          | 3,496,600          | 0.00           | 5,885,500          | 5,885,500          |
| Nondiscretionary Adjustments          | 0.00           | 9,361,700          | 14,058,400         | 0.00           | 9,545,900          | 14,242,600         |
| <b>FY 2008 Program Maintenance</b>    | <b>0.00</b>    | <b>520,456,500</b> | <b>559,684,300</b> | <b>0.00</b>    | <b>519,530,700</b> | <b>558,758,500</b> |
| 1. Classroom Supplies                 | 0.00           | 5,180,000          | 5,180,000          | 0.00           | 0                  | 0                  |
| 2. Textbook Allowance                 | 0.00           | 9,950,000          | 9,950,000          | 0.00           | 0                  | 0                  |
| 3. Safe School Study                  | 0.00           | 150,000            | 150,000            | 0.00           | 0                  | 0                  |
| 4. Rural School Initiative            | 0.00           | 100,000            | 100,000            | 0.00           | 0                  | 0                  |
| <b>FY 2008 Total</b>                  | <b>0.00</b>    | <b>535,836,500</b> | <b>575,064,300</b> | <b>0.00</b>    | <b>519,530,700</b> | <b>558,758,500</b> |
| Change from Original Appropriation    | 0.00           | 31,740,400         | 36,437,100         | 0.00           | 15,434,600         | 20,131,300         |
| % Change from Original Appropriation  |                | 6.3%               | 6.8%               |                | 3.1%               | 3.7%               |

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| Budget by Decision Unit               | FTP  | General     | Dedicated  | Federal   | Total       |
|---------------------------------------|------|-------------|------------|-----------|-------------|
| <b>FY 2007 Original Appropriation</b> | 0.00 | 504,096,100 | 28,643,900 | 5,887,200 | 538,627,200 |

## 1. Ag Replacement Funds

When the 2006 Legislature passed HB 1 in special session in August 2006, it exposed a previously unrecognized flaw in the state's system for replacing property taxes lost to school districts through the 2001 exemption of agricultural equipment from personal property taxes. The problem was actually created the following year, when the 2002 Legislature passed HB 680. This bill, which was necessary to correct a situation in which school districts receiving ag replacement funds would have undertaxed properties through their School M&O levy, also created a problem by allowing ag replacement funds to flow to school districts without being equalized. As a result, school districts have been overfunded by \$3.77 million a year for the period from FY03 through FY06. This benefit has primarily accrued to rural school districts, since the ag distribution is based on the amount of agricultural equipment in the district in the year 2000.

Since school districts had already set budgets prior to HB 1 that were based on the assumption that they would continue to receive the \$3.77 million in ag replacement funds, this request would provide one-time funding for FY 2007 that would make school district budgets whole. The 2007 Legislature will then have an opportunity to determine the permanent solution for this issue by considering amendments to Idaho Code.

This supplemental also includes \$121,300 in one-time funding for two school districts that would have joined the state's four highest property value school districts (Blaine County, McCall-Donnelly, Avery, Swan Valley) in receiving additional "unequalized" School M&O Levy funds, had that levy not been repealed during the special session. HB 1 did not include a provision for these two districts to certify a Budget Stabilization Levy, as it did for the first four districts, because they had never received unequalized funds in the past. They did, however, set their budgets based on the assumption that they would receive them in FY 2007. This supplemental would distribute approximately \$75,900 to the Kootenai School District and \$45,400 to the Cascade School District, on a one-time basis, for FY 2007.

|                |      |           |   |   |           |
|----------------|------|-----------|---|---|-----------|
| Agency Request | 0.00 | 3,892,600 | 0 | 0 | 3,892,600 |
|----------------|------|-----------|---|---|-----------|

*The Governor recommends this be funded indirectly by the Public Education Stabilization Fund.*

|                           |      |   |   |   |   |
|---------------------------|------|---|---|---|---|
| Governor's Recommendation | 0.00 | 0 | 0 | 0 | 0 |
|---------------------------|------|---|---|---|---|

|                                    |      |             |            |           |             |
|------------------------------------|------|-------------|------------|-----------|-------------|
| <b>FY 2007 Total Appropriation</b> |      |             |            |           |             |
| Agency Request                     | 0.00 | 507,988,700 | 28,643,900 | 5,887,200 | 542,519,800 |
| Governor's Recommendation          | 0.00 | 504,096,100 | 28,643,900 | 5,887,200 | 538,627,200 |

## Removal of One-Time Expenditures

Remove funding provided for one-time items.

|                |      |             |   |   |             |
|----------------|------|-------------|---|---|-------------|
| Agency Request | 0.00 | (3,892,600) | 0 | 0 | (3,892,600) |
|----------------|------|-------------|---|---|-------------|

|                           |      |   |   |   |   |
|---------------------------|------|---|---|---|---|
| Governor's Recommendation | 0.00 | 0 | 0 | 0 | 0 |
|---------------------------|------|---|---|---|---|

## Base Adjustments

Reallocation of Unemployment Insurance between Administration, Teachers, and Operations.

|                |      |       |   |   |       |
|----------------|------|-------|---|---|-------|
| Agency Request | 0.00 | 3,200 | 0 | 0 | 3,200 |
|----------------|------|-------|---|---|-------|

|                           |      |       |   |   |       |
|---------------------------|------|-------|---|---|-------|
| Governor's Recommendation | 0.00 | 3,200 | 0 | 0 | 3,200 |
|---------------------------|------|-------|---|---|-------|

|                           |      |             |            |           |             |
|---------------------------|------|-------------|------------|-----------|-------------|
| <b>FY 2008 Base</b>       |      |             |            |           |             |
| Agency Request            | 0.00 | 504,099,300 | 28,643,900 | 5,887,200 | 538,630,400 |
| Governor's Recommendation | 0.00 | 504,099,300 | 28,643,900 | 5,887,200 | 538,630,400 |

## Benefit Costs

This request reflects the fact that the PERSI Board has voted to keep retirement contribution rates level for FY 2008.

|                |      |   |   |   |   |
|----------------|------|---|---|---|---|
| Agency Request | 0.00 | 0 | 0 | 0 | 0 |
|----------------|------|---|---|---|---|

*As the PERSI Board voted to maintain the current contribution rate for the upcoming fiscal year, no adjustment to retirement rates is necessary.*

|                           |      |   |   |   |   |
|---------------------------|------|---|---|---|---|
| Governor's Recommendation | 0.00 | 0 | 0 | 0 | 0 |
|---------------------------|------|---|---|---|---|

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| Budget by Decision Unit   | FTP  | General     | Dedicated  | Federal   | Total       |
|---|------|-------------|------------|-----------|-------------|
| <b>Inflationary Adjustments</b>   |      |             |            |           |             |
| Reflects the 1% inflationary increase in state discretionary funds requested by the Superintendent of Public Instruction.   |      |             |            |           |             |
| Agency Request  | 0.00 | 3,498,900   | 0          | 0         | 3,498,900   |
| <i>Inflationary increases are provided only for contractual obligations such as leased space costs. Other inflationary requests are not recommended.</i>  |      |             |            |           |             |
| Governor's Recommendation   | 0.00 | 0           | 0          | 0         | 0           |
| <b>Public School Salary Increase</b>  |      |             |            |           |             |
| The Superintendent of Public Instruction requests a 3% base salary increase for state-funded instructional positions.   |      |             |            |           |             |
| Agency Request  | 0.00 | 3,496,600   | 0          | 0         | 3,496,600   |
| <i>The Governor recommends a base salary increase for all classified staff.</i>   |      |             |            |           |             |
| Governor's Recommendation   | 0.00 | 5,885,500   | 0          | 0         | 5,885,500   |
| <b>Nondiscretionary Adjustments</b>   |      |             |            |           |             |
| Nondiscretionary Adjustments include \$4,279,700 from the General Fund and \$3,351,100 in endowment funds for the discretionary funds cost of an increase of 300 support units, \$2,366,400 for the salary-based apportionment (for classified staff) cost of an increase of 300 support units, and an increase of \$2,715,600 in pupil transportation costs. Also includes an increase in spending authority for federal pass-through funds.   |      |             |            |           |             |
| Agency Request  | 0.00 | 9,361,700   | 3,351,100  | 1,345,600 | 14,058,400  |
| Governor's Recommendation   | 0.00 | 9,545,900   | 3,351,100  | 1,345,600 | 14,242,600  |
| <b>FY 2008 Program Maintenance</b>  |      |             |            |           |             |
| Agency Request  | 0.00 | 520,456,500 | 31,995,000 | 7,232,800 | 559,684,300 |
| Governor's Recommendation   | 0.00 | 519,530,700 | 31,995,000 | 7,232,800 | 558,758,500 |
| <b>1. Classroom Supplies</b>  |      |             |            |           |             |
| Under the present system, classroom supplies are paid for through discretionary funding. These supplies, then, must compete against other priorities that draw from that same pool of money. These competing priorities include salaries, utilities and health benefits for employees. If the discretionary funds are exhausted before classroom supplies are considered, it is then left up to individual teachers to pay for supplies from their own pockets. The Superintendent of Public Instruction requests that the Legislature earmark funding specifically for classroom supplies, distributing \$350 for each of the state's approximately 14,800 teachers. This would also give districts more flexibility in how they use their existing discretionary funds. |      |             |            |           |             |
| Agency Request  | 0.00 | 5,180,000   | 0          | 0         | 5,180,000   |
| <i>Not recommended by the Governor.</i>   |      |             |            |           |             |
| Governor's Recommendation   | 0.00 | 0           | 0          | 0         | 0           |
| <b>2. Textbook Allowance</b>  |      |             |            |           |             |
| As with classroom supplies, discretionary funds pay for textbooks. Complaints from teachers in school districts throughout the state concern the continued use of worn out or out-of-date textbooks. To remedy this, the Superintendent of Public Instruction requests that the Legislature earmark funding specifically for the purchase of textbooks. This distribution would provide \$25 for each of the state's projected 148,000 K-6 students, and \$50 for each of the state's projected students in grades 7-12. Like the request for classroom supplies, this would help free up existing discretionary funds that school are currently spending on textbooks, to be used for other locally established priorities.  |      |             |            |           |             |
| Agency Request  | 0.00 | 9,950,000   | 0          | 0         | 9,950,000   |
| <i>Not recommended by the Governor.</i>   |      |             |            |           |             |
| Governor's Recommendation   | 0.00 | 0           | 0          | 0         | 0           |

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| Budget by Decision Unit   | FTP  | General     | Dedicated  | Federal   | Total       |
|---|------|-------------|------------|-----------|-------------|
| <b>3. Safe School Study</b>   |      |             |            |           |             |
| Recent on-campus violence both in Idaho and nationally have created concern over the security of classrooms and school buildings. While some schools have security measures in place, some classrooms have little to protect children and teachers from harm. Basic equipment, such as a panic button or phone line to the outside world, do not exist in all classrooms. There is no inventory of Idaho school security deficiencies. This request would fund a study and furnish a report to the Legislature. |      |             |            |           |             |
| Agency Request  | 0.00 | 150,000     | 0          | 0         | 150,000     |
| <i>Not recommended by the Governor.</i>   |      |             |            |           |             |
| Governor's Recommendation   | 0.00 | 0           | 0          | 0         | 0           |
| <b>4. Rural School Initiative</b>   |      |             |            |           |             |
| The problems plaguing rural schools have been discussed for many years. Declining enrollment and difficulty recruiting qualified teachers are just two of the problems rural schools face. This initiative would provide the funding to develop plans to help solve these problems.   |      |             |            |           |             |
| Agency Request  | 0.00 | 100,000     | 0          | 0         | 100,000     |
| <i>Not recommended by the Governor.</i>   |      |             |            |           |             |
| Governor's Recommendation   | 0.00 | 0           | 0          | 0         | 0           |
| <b>FY 2008 Total</b>  |      |             |            |           |             |
| Agency Request  | 0.00 | 535,836,500 | 31,995,000 | 7,232,800 | 575,064,300 |
| Governor's Recommendation   | 0.00 | 519,530,700 | 31,995,000 | 7,232,800 | 558,758,500 |
| Agency Request  |      |             |            |           |             |
| Change from Original App  | 0.00 | 31,740,400  | 3,351,100  | 1,345,600 | 36,437,100  |
| % Change from Original App  |      | 6.3%        | 11.7%      | 22.9%     | 6.8%        |
| <i>Governor's Recommendation</i>  |      |             |            |           |             |
| Change from Original App  | 0.00 | 15,434,600  | 3,351,100  | 1,345,600 | 20,131,300  |
| % Change from Original App  |      | 3.1%        | 11.7%      | 22.9%     | 3.7%        |